PILLAR 3

Capital Adequacy and Liquidity Q4

2023

CARNEGIE HOLDING AB
Capital Adequacy and Liquidity
2023-12-31
Anders Antas, CFO

Capital Adequacy and Liquidity

Carnegie's Capital Adequacy and Liquidity report describes Carnegie Group, including Carnegie Holding AB (556780-4983) and Carnegie Investment Bank AB (publ) (516406-0138), capital and liquidity position. The report states conditions as per 31st of December 2023 if nothing else stated. All operations are managed and executed within Carnegie Investment Bank, Carnegie Fonder AB, Holberg Fondsforvaltning A/S and Montrose by Carnegie AB. Carnegie Holding AB is exclusively a holding company.

Throughout the report the terms “Carnegie” or “the Group” will be used for Carnegie Group and “the Bank” will be used for Carnegie Investment Bank AB. The report includes information about Carnegie's capital base, capital adequacy, remuneration policy and liquidity in accordance with part 8 of the Capital Requirement Regulation – Regulation EU 575/2013 (CRR) and EU 2019/876 (CRR II). The information is published in accordance with Finansinspektionen regulations; FFFS 2010:7 and FFFS 2014:12.

All amounts in the report are reported in million SEK or %.

The report is reconciled in accordance with Carnegie's internal process for disclosure. All figures are controlled against the financial statement and regulatory reporting for the Group. In accordance with the Group's instruction the CFO office is responsible for the disclosure.

Anders Antas, CFO

Template EU KM1 - Key metrics template

		2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
	Available own funds (amounts), SEKm					
1	Common Equity Tier 1 (CET1) capital	2 329	2 383	2 381	2 369	2 383
2	Tier 1 capital	2 329	2 383	2 381	2 369	2 383
3	Total capital	2 329	2 383	2 381	2 369	2 383
	Risk-weighted exposure amounts, SEKm					
4	Total risk-weighted exposure amount	12 535	12 562	12 585	12 595	12 437
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18,6%	19,0%	18,9%	18,8%	19,2%
6	Tier 1 ratio (%)	18,6%	19,0%	18,9%	18,8%	19,2%
7	Total capital ratio (%)	18,6%	19,0%	18,9%	18,8%	19,2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional CET1 SREP requirements (%)	1,32%	1,32%	1,32%	1,32%	1,32%
EU 7b	Additional AT1 SREP requirements (%)					
EU 7c	Additional T2 SREP requirements (%)					
EU 7d	Total SREP own funds requirements (%)	9,32%	9,32%	9,32%	9,32%	9,32%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,5%	2,5%	2,5%	2,5%	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	2,0%	2,0%	2,0%	1,1%	1,1%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	4,5%	4,5%	4,5%	3,6%	3,6%
EU 11a	Overall capital requirements (%)	13,8%	13,8%	13,8%	11,6%	11,6%
12	CET1 available after meeting the total SREP own funds requirements (%)	14,1%	14,5%	14,4%	14,3%	14,7%
	Leverage ratio, SEKm					
13	Leverage ratio total exposure measure	18 313	17 617	18 023	18 538	20 864
14	Leverage ratio	13,5%	14,1%	13,8%	13,3%	11,9%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional CET1 leverage ratio requirements (%)	0,15%	0,15%	0,15%	0,15%	0,15%
EU 14b	Additional AT1 leverage ratio requirements (%)					
EU 14c	Additional T2 leverage ratio requirements (%)					
EU 14d	Total SREP leverage ratio requirements (%)	3,15%	3,15%	3,15%	3,15%	3,15%
EU 14e	Applicable leverage buffer					
EU 14f	Overall leverage ratio requirements (%)	3,15%	3,15%	3,15%	3,15%	3,15%
	Liquidity Coverage Ratio, SEKm					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	6 544	7 008	7 405	7 975	8 048
EU 16a	Cash outflows - Total weighted value	4 618	4 817	5 292	5 699	5 647
EU 16b	Cash inflows - Total weighted value	3 129	3 588	4 211	4 653	4 934
16	Total net cash outflows (adjusted value)	1 665	1 565	1 570	1 595	1 491
17	Liquidity coverage ratio (%) (Average)	409%	465%	487%	515%	548%
	Net Stable Funding Ratio (SEKm)					
18	Total available stable funding	12 108	11 234	11 030	11 038	13 093
19	Total required stable funding	4 667	4 362	4 462	4 543	4 683
20	NSFR ratio (%)	259%	258%	247%	243%	280%

The capital base shall ensure capital coverage of the capital requirements for Credit risk, Market risk and Operational risk. Within the Capital Requirement Regulation banks have the opportunity to use different methods to calculate the capital requirement needed to meet any losses resulting from exposures to Credit risk, Market risk and Operational risks.

The following methods are used by Carnegie:

- Credit risk – Standardised approach for credit risk and full method for financial collateral
- Counterparty credit risk – Simplified standardised approach for counterparty credit risk
- Market risk – Standardised approach
- Operational risk – Basic indicator approach, meaning that the capital requirement is calculated as 15% of the average operating income during the last three years

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	Template EU OV1 – Overview of risk weighted exposure amounts	2023 Q4	2023 Q3	2023 Q4
1	**Credit risk (excluding CCR) (SEKm)**			
2	Of which the standardised approach	2 714	2 744	217
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple riskweighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	**Counterparty credit risk - CCR (SEKm)**	428	457	34
7	Of which the standardised approach	426	456	34
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	0	0	0
EU 8b	Of which credit valuation adjustment - CVA	2	0	0
9	Of which other CCR			
15	**Settlement risk (SEKm)**	0	0	0
16	**Securitisation exposures in the non-trading book (after the cap) (SEKm)**			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%/ deduction			
20	**Position, foreign exchange and commodities risks (Market risk) (SEKm)**	735	789	59
21	Of which the standardised approach	735	789	59
22	Of which IMA			
EU 22a	**Large exposures (SEKm)**			
23	**Operational risk (SEKm)**	8 659	8 573	693
EU 23a	Of which basic indicator approach	8 659	8 573	693
EU 23b	Of which standardised approach			
EU 23c	Of which advanced measurement approach			
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) (SEKm)**	296	306	24
	Total	12 535	12 562	1 003

ICAAP Information (Table EU OVC)

Carnegie has processes and methods that enable continuous assessment and maintenance of capital that is adequate in terms of amount, type and allocation to cover the nature and level of the Group's current and prospective risk exposures. As part of the ICAAP, an extensive risk analysis is performed, encompassing all potential risks that may arise within Carnegie. The Board and senior management participate throughout the process by contributing to identifying and analysing risks, defining scenarios and stress test methods, and approving the final capital requirement.

The result of Carnegies internal capital adequacy assessment process for 2023 is 1,5% and 188m.

Risk management policies and objectives

Institution risk management approach (Table EU OVA)

Point (f) of Article 435(1) CRR: Disclosure of concise risk statement approved by the management body.

The Group's core business is to provide professional advice which generates fee-based income as opposed to taking positions generating balance sheet-driven income. Our general risk strategy is to only take conscious and controlled financial risks that support our advisory business. As such, Carnegie's business model primarily drives non-financial risks, such as operational risk, compliance risk and reputational risk. Financial risks, such as market and credit risks, are generally low and the Group sustained no material losses in 2023. Carnegie does not regard sustainability risks as a separate risk category, but as risk factors that have bearing on the existing risk categories. This means that the management of sustainability-related risks is integrated into the existing risk management procedures.

The Board determines risk appetite statements for the Group's principal risk types defined in the Group's Risk Policy on an annual basis to limit the Group's risk-taking and ensure that minimum capital and liquidity levels are kept. The risk appetites are expressed in qualitatively and/or quantitative terms as appropriate according to the risk type. The risk appetites are subsequently implemented by the CEO through internal rules and a risk limit framework that consist of limits and escalation procedures.

Point (a) of Article 435(1) CRR: Strategies and processes to manage risk.

Carnegie employs a comprehensive array of strategies and processes to manage risk effectively. The methodologies involve various dimensions of risk management, including the identification, measurement, monitoring, control and stress testing of risks. Core risk management strategies and processes include:

- <u>Risk identification</u> – Carnegie has established a group-wide risk taxonomy identifying the principal risks to which the Group is exposed. For the more qualitative risk categories, including operational risk, the overall risk taxonomy framework is complemented by annual risk identification and assessment procedures which identifies risks on a more granular level for each significant process.

- <u>Risk measurement and assessment</u> – For each risk category in the risk taxonomy Carnegie has established group-wide procedures for measuring and assessing the level of exposure to these risks. This involves quantitative methods, such as limit monitoring for market risk, credit scoring models for credit risk, and scenario analysis for operational risk.

- <u>Risk limits and thresholds</u> – Carnegie has established risk limits and thresholds to control the level of exposure to various risks. These limits are aligned with the Group's risk appetite, which is defined by the Board and reflects the maximum level of risk the Group is willing to accept in pursuit of its business objectives.

- <u>Stress testing</u> – Stress testing is a key process used by Carnegie to evaluate the potential impact of adverse scenarios on our financial condition. Carnegie conducts scenario analysis for all principal risk categories by different methods according to the nature of the risk. For the quantitative risk categories the portfolios subject to scenario analysis are the margin lending portfolio, the client facilitation and market making portfolios as well as the Group's liquidity positions. For operational and compliance risk the Group bank applies qualitative scenario analysis to explore the effects of low probability, high impact events reflecting Carnegie's firm-specific vulnerabilities and risk exposures. Scenarios are designed to be severe but plausible and cover a range of adverse conditions, including economic downturns, market crashes and stressed liquidity conditions.

- Monitoring and reporting – Carnegie continuously monitors risk exposures using key risk indicators and software, alongside regular and ad-hoc risk reporting to management and the Board to ensure compliance and informed decision-making. These procedures are supported by clear communication channels and escalation processes for rapid response to risk limit breaches or significant events, with periodic reviews to refine risk management practices.

The specific strategies and procedures applied varies across risk categories according to their nature as described in this report.

Risk Management

For all risk categories, risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (third line).

The model rests on the fundamental principle that responsibility for risk management and control always resides where the risk arises. This means that every employee is responsible for managing risks in their own area of responsibility. As such, risk management encompasses all employees, from the CEO and other senior executives to staff in front and back office and support functions.

Beyond the control and monitoring performed by the business units, Carnegie has three control functions that are independent from business operations: Risk, Compliance and Internal Audit. Risk and Compliance supervise risk management and regulatory compliance within the business areas. The third control function, Internal Audit, is responsible for verifying that the business areas and the other control functions perform their tasks as required.

Risk management in the business areas
The first line of defence comprises the business areas and support functions under the guidance of line managers. As the first line of defence, each operational unit bears full responsibility for the risks associated with their operations. Members of operational staff know their clients best and it is they who take day-to-day business decisions. They are therefore in the best position to assess risks and react swiftly if an issue should arise. To maintain sound risk control, the business areas, assisted by the support functions within the first line of defence, perform risk management and control activities as an integrated part of their daily work. These activities include credit risk decisions, payment authorisations, verification, reconciliation and effective division of responsibility and tasks in processes and procedures.

Risk and Compliance
The control functions in the second line of defence are responsible for establishing group-wide processes and procedures to ensure that risks are managed in a systematic way. Risk management rules and procedures as well as regulatory compliance are described in policies and instructions that are adopted by the CEO and the Board.

The risk function is responsible for monitoring risk management by the business areas and ensuring that the level of risk is in line with the risk appetite and tolerance as determined by the Board. The risk function is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board. The risk function develops processes and methods for risk management and monitors their application. The risk function is also responsible for independently identifying, measuring and monitoring the development of the Group's risks over time and reporting risk on an aggregate level to the Board and Group management. This includes the scenario analysis and stress tests performed within the framework of the annual internal capital and liquidity adequacy assessment (ICLAAP) process.

The compliance function's responsibility includes verifying operational compliance with laws, regulations and internal rules. The tasks of the compliance function include interpreting applicable rules, informing relevant functions about regulatory changes, assisting the business operations with drafting internal rules and supporting business operations and management with advice and support related to compliance.

Carnegie's compliance function is headed by the Group Compliance Officer (GCO), who reports directly to the CEO and the Board. The compliance function also comprises compliance officers at each subsidiary and branch. The local functions report to the GCO as well as local management and boards.

Internal audit
Internal Audit represents the third line of defence. Its responsibility is to systematically assess and verify the adequacy and effectiveness of internal control and risk management from a regulatory perspective and risk-based approach. Their responsibility includes verifying that both the operations in the first line of defence and independent control functions within the second line of defence are functioning satisfactorily. Internal Audit is independent of the business operations and reports directly to the Board. The principles that govern the work of the Internal Audit function are reviewed and approved annually by the Board Audit Committee and adopted by the Board.

Point (e) of Article 435(1) CRR: Declaration approved by the management body on the adequacy of the risk management arrangements

Carnegie has adequate risk management arrangements which are aligned with the Group's business goals, the risk tolerance and risk strategy set by the Board.

Operational risk

Qualitative information on operational risk (Table EU ORA)

Point (a) of Article 435(1) CRR: Disclosure of the risk management objectives and policies.

Operational risk is the risk of direct or indirect losses resulting from an inappropriate organisation, the human factor, inadequate or failed internal processes or systems or from external events. The definition includes legal risk.

Carnegie's operational risk strategy is to optimise operational risk-taking. This means that the objective of operational risk management is not to eliminate operational risks, which is not feasible. Instead, operational risks may be assumed to support revenue-generating activities as long as the costs and benefits are fully understood. Unwanted operational risks, on the other hand, shall be continuously reduced to an acceptable level.

The Board has defined the overall aim and principles for managing operational risk in the Group Risk Policy, which translates into a set of operational risk management standards stipulating specific operational risk management and control practices which shall be in place in all Group entities. Such practices and procedures include:

- Risk and control self-assessment (RCSA) is a process whereby the business itself identifies and evaluates the operational risks and the associated controls in their areas of responsibility and defines actions for improvement if required. RCSAs are performed for each significant process.

- Incident management: Carnegie has established group-wide procedures and system support for reporting and following up on incidents. Group Risk supports the business in reporting and analysing incidents to ensure that underlying causes are fully understood and that appropriate actions are taken.

- New Product Approval (NPA): Carnegie has a standardised process for approving new products and services as well as major changes to existing ones. The procedure involves a review of risks and controls related to new products in which all the concerned functions are involved and give their approval before the product is introduced. The purpose of the process is to ensure that potential risks are identified and addressed prior to product launch.

- Business Continuity Planning (BCP): The principles for continuity and crisis management are defined in a Group-level framework. Continuity plans are in place for all critical processes and for the IT-systems supporting these processes.

Managing operational risk is an integral part of managerial responsibility at all levels across the Group. To support and monitor the business' operational risk management, the Group has a second line operational risk function headed by the Head of Operational Risk. The operational risk control function is responsible for developing the operational risk management framework, including policies, tools and practices, as well as monitoring that operational risks are properly managed. Measuring, monitoring and control tools and procedures includes:

- Limit monitoring: The Board has established operational risk limits which are monitored by the operational risk function. Any breaches are reported in the quarterly risk report to the Board on a quarterly basis.

- Incident monitoring: The operational risk function analyses incidents which are reported to a central database, paying special attention to recurring incidents that may indicate underlying structural issues needing resolution.

- Control testing: The group has established an internal control framework in which operational risk controls are identified, documented and assessed in the RCSA process. Key controls, i.e. those mitigating significant operational risks are subject to regular testing by the operational risk function to verify their effectiveness.

The risk function reports on operational risks across the Group to the Board on a quarterly basis. Risk reports includes information about, intern alia, any significant risks identified, follow-up on earlier findings and ongoing actions to mitigate these as well as material incidents.

Market risk

Qualitative disclosure requirements related to market risk (Table EU MRA)

Point (a) of Article 435 (1) CRR: Description of the institution's strategies and processes to manage market risk.

Market risk is the risk of loss to value, earnings or capital due to adverse movements in the underlying market factors. Market risk consists of equity risk, currency risk and interest rate risk.

The majority of Carnegie's market risk is structural or strategic in nature and arises in the form of currency risk from long-term strategic holdings in subsidiaries and branches overseas. Market risk also arises in the trading book from client driven trading activities when acting as market maker and providing client facilitation services.

In the role of market maker Carnegie undertakes to continuously provide bid and ask quotations in accordance with the requirements for liquidity providers set out by Nasdaq Stockholm. The purpose is to improve the liquidity of the share and reduce the spread between the buying and selling price.

When providing client facilitation services Carnegie actively takes on a position to facilitate a trade for a client by taking an opposite position to the trade the client wishes to execute. The service is provided when direct counterparts for the trade are not readily available, or when executing the trade directly in the open market could adversely affect the market price, thereby disadvantaging the client.

For both market making and client facilitation, the strategic objective is not to generate net profits through trading activities, but rather to produce income from market making and commission fees. Consequently, market risk at Carnegie is very low.

During 2023, Carnegie discontinued market making and client facilitation in equity derivatives. This significantly decreased the complexity in the trading book.

Carnegie has established a group-wide market risk framework to ensure proper oversight of all types of market risks, including both the trading-related risk and the market risk in the banking book. The Board defines the level of acceptable market risk by setting overall market risk limits and general instructions. The Credit, Risk and Capital Committee (CRC) delegates the market risk mandate set by the Board to the divisions and treasury function which, in turn, further delegate the limits internally. Exposures and limits are monitored by the financial risk function to ensure that risks are within the set appetites and limits. Market risk is also measured through stress tests that estimate potential losses in various extreme scenarios. Risk exposures and limit usage are reported on a regular basis to the CEO and the Board.

Credit risk

General qualitative information about credit risk (Table EU CRA)

Point (f) of Article 435 (1) CRR: Description of how the business model translates into the components of the institution's credit risk profile.

Credit risk is the risk of loss due to failure of an obligor to fulfil its contractual obligations to the Group. The majority of Carnegie's credit risk exposure is structural in nature and arises in the form of counterparty risk towards central banks and major banks, primarily towards Central banks and the largest Nordic universal banks in connection with liquidity management in treasury operations. Credit risk also arises from margin lending, which is Carnegie's main credit product which provides liquidity and leveraging opportunities by allowing clients to borrow against pledging their investment portfolios. In addition, Carnegie has a limited residential mortgage lending portfolio which primarily serves as a value-added service to Private Banking clients. Credit risk also arises in the form av settlement risk which is a consequential risk from the Group's brokerage services.

Point (a) of Article 435 (1) CRR: Strategies and processes to manage credit risk, including the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

The Board is responsible for determining the Group's credit policy, based on the proposal by the Group Credit, Risk and Capital Committee. The proposal is preceded by a review coordinated by the CRO involving the business area heads and the credit function to ensure that the credit policy is in line with the risk appetite and strategic business plans. The credit policy sets the strategies and processes managing credit risk, including:

- Counterparty assessment: Credit decisions are based on careful assessment of the credit risk. This includes assessment of the counterparty's financial position, prospective repayment capacity and the quality of pledged collateral.

- Collateral management: Collateral for exposures consists mainly of cash deposits, liquid financial instruments, residential property, or bank guarantees. When collateral value is determined, Carnegie must always have first priority on pledge and thereby not be subordinated to other creditors.

- Diversification: The credit portfolio must be diversified with regards to individual counterparties, industrial sectors, regions and with regards to pledged collateral. This applies at the individual counterparty level, the aggregate limit level and up to the level for the various legal entities within the Group.

- Sound principles: Credit approvals are based on sound banking principles and high ethical standards. Legal principles and generally accepted methods must not be jeopardised in any way.

The Board also sets risk limits to monitor the risk exposure and avoid credit losses. The approach used for setting credit risk limits is based on analyses of the factors that are the most significant to the Group's specific credit risk profile, i.e. the factors which have the largest potential to affect the Carnegie's exposure to potential losses. For Carnegie, the primary risk factors include the quality of collateral as well as concentrations in the collateral portfolio.

Settlement risk

Settlement risk is the risk that the bank will fulfil its obligations in a contractual exchange of financial assets but fail to receive the corresponding settlement in return. Settlement risk is driven primarily by trading in securities on behalf of clients.
Settlement risk within the Group is managed primarily via central clearing partners, where transactions are settled according to the delivery versus payment system. In certain cases, deals are settled outside the system of central clearing partners after the counterparty risk has been assessed by a competent authority. Settlement

risk is therefore limited to the potential cost of replacing counterparties in the transaction and is affected by movements in the market price of the underlying instrument.

Liquidity risk (Table EU LIQA)

Liquidity risk is the risk that the Group will be unable to meet its payment obligations or be able to do so only at substantially higher cost.
Carnegie maintains a liquidity reserve to ensure that it can meet its payment obligations in a stressed scenario. The reserve exceeds the expected maximum net cash flow over a 30-day period of severe stress. The stress tests are designed to evaluate the potential effects of a series of extreme but possible events. Carnegie's treasury departments monitors and reports on liquidity on a daily basis.

Further information about liquidity management can be found under section "Liquidity management".

Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to non-compliance with rules and regulations.

Carnegie's business is subject to extensive legislation and regulations intended to provide strong consumer protection and secure the stability of the financial system. Carnegie works on an ongoing basis to monitor these to ensure compliance.

Maintaining the trust of our clients and supervisory authorities is imperative for Carnegie's operations. Inadequate regulatory compliance may have far-reaching consequences in the form of both legal sanctions and damaged reputation. Management of compliance risk is thus a key component of overall risk management at the bank. Within Carnegie, this work involves, among else, the following:

- A compliance function responsible for ensuring regulatory compliance.
- Monitoring of regulatory changes, in particular through membership in various industry organisations, such as the Swedish Securities Markets Association and SwedSec.
- Carnegie works proactively to prevent market abuse, money laundering and terrorist financing.
- Carnegie regularly identifies its conflicts of interests and makes every effort to ensure that action is taken to manage these in a way that is not detrimental to the interests of clients.
- Carnegie drafts and adopts policies, instructions and procedures that are applied throughout the Group.

Reputational risk

Reputational risk is the risk of loss of income from the Group's potential and existing clients if they lose trust in Carnegie due to negative publicity or rumours about the Group or about the financial services industry in general.

Reputational risk is primarily a consequential risk triggered by internal or external events that have negative impact on confidence in the bank among clients, regulators, and counterparties. Reputational risk is one of the most difficult risks to assess and guard against. At the same time, the consequences can potentially be substantial if confidence in a bank is damaged.

At Carnegie, reputational risk is managed primarily through open and frequent dialogue with stakeholders in the company. Carnegie has a wide range of communications channels towards clients and other counterparties in the market that make it possible to pick up any negative signals. In addition, Carnegie strives to maintain frequent and transparent public disclosure of information.

Business risk and strategic risk

Business risk is the current or prospective risk to earnings arising from changes in the business environment. Strategic risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to changes in the business environment or inadequate strategic planning.

Business risk and strategic risk are closely related. Business risk involves external changes, such as trends in global stock markets and the general business climate. Strategic risk is related to the ability to adapt to these changes.

Carnegie continuously reviews its strategic position and engages in business intelligence to be prepared for changes in market conditions and the competitive landscape. For example, Carnegie performs regular scenario analyses to assess the impact of changed market conditions. The purpose of these analyses is to create the best possible basis for strategic decisions.

Governance Arrangements (Table EU OVB)

For further information about Carnegie's governance arrangements, please see the Annual Report – Corporate Governance. This section and the Annual Report also provide information on the number of directorships held by Board members, the recruitment and diversity policies for the selection of Board members, as well as more information on the work of the Audit, Compliance, Capital and Risk.

Template EU CC1 - Composition of regulatory own funds

		Amount (SEKm)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1 937	EU CC2 25, 26
	of which: Instrument type 1	1 937	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	1 546	EU CC2 29
3	Accumulated other comprehensive income (and other reserves)	-71	EU CC2 30
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	29	EU CC2 27,28
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3 441	EU CC2 33
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1	
8	Intangible assets excluding minority share (net of related tax liability) (negative amount)	-1 089	EU CC2 8
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-22	EU CC2 11
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Empty set in the EU		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)		
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
24	Empty set in the EU		

25	of which: deferred tax assets arising from temporary differences	
EU-25a	Losses for the current financial year (negative amount)	0
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	
26	Empty set in the EU	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1 112
29	Common Equity Tier 1 (CET1) capital	2 329
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	
42a	Other regulatory adjustments to AT1 capital	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0
44	Additional Tier 1 (AT1) capital	0
45	Tier 1 capital (T1 = CET1 + AT1)	2 329
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	Tier 2 (T2) capital before regulatory adjustments	0
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
54a	Empty set in the EU	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	
EU-56b	Other regulatory adjustments to T2 capital	

57	Total regulatory adjustments to Tier 2 (T2) capital	0	
58	Tier 2 (T2) capital	0	
59	Total capital (TC = T1 + T2)	2 329	
60	Total Risk exposure amount	12 535	

	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18,6%	
62	Tier 1 (as a percentage of total risk exposure amount)	18,6%	
63	Total capital (as a percentage of total risk exposure amount)	18,6%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9,0%	
65	of which: capital conservation buffer requirement	2,5%	
66	of which: countercyclical buffer requirement	2,0%	
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	192	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	118	EU CC2 11
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

	SEKm Assets	Balance sheet as in published financial statements 2023 Q4	Under regulatory scope of consolidation 2023 Q4	Reference
1	Cash and bank deposits with central banks	1 823	1 823	
2	Negotiable government securities	5 590	5 590	
3	Loans to credit institutions	1 791	1 791	
4	Loans to the general public	3 577	3 577	
5	Bonds and other interest-bearing securities	523	523	
6	Shares and participations	584	584	
7	Derivative instruments	0	0	
8	Intangible assets	1 158	1 158	EU CC1 8
9	Tangible fixed assets	355	355	
10	Current tax assets	151	151	
11	Deferred tax assets	140	140	EU CC1 10,75
12	Other assets	363	363	
13	Prepaid expenses and accrued income	270	270	
14	**Total assets**	**16 326**	**16 326**	
	Liabilities and Equity			
	Liabilities			
15	Liabilities to credit institutions	10 723	10 723	
16	Deposits and borrowing from the general public	0	0	
17	Short positions, shares	1	1	
18	Derivative instruments	77	77	
19	Current tax liabilities	76	76	
20	Deferred tax liabilities	710	710	
21	Other liabilities	845	845	
22	Accrued expenses and prepaid income	66	66	
23	Other provisions	0	0	
24	**Total liabilities**	**12 497**	**12 497**	
	Equity			
25	Share capital	2	2	EU CC1 1
26	Other capital contributions	1 934	1 934	EU CC1 1
27	Net result	329	329	EU-5a
28	*of which non eligible*	*N/A*	*-300*	*EU-5a*
29	Retained earnings	1 546	1 546	EU CC1 2
30	Reserves	-71	-71	EU CC1 3
31	Minority share of equity	88	88	
32	**Total equity**	**3 829**	**3 829**	
33	*Total equity excl non eligible retained earnings and minority*	N/A	*3 441*	*EU CC1 6*
34	**Total liabilites and equity**	**16 326**	**16 326**	

Liquidity Management

Carnegie's funding is mainly conducted by equity and deposits from the public. Carnegie's risk appetite is set to ensure sufficient funds within daily operations, as well as during periods of market stress. The liquidity buffer shall at all times exceed the expected outflow during periods of market stress and consist of either bank balances or assets refundable through Riksbanken.

Liquidity (SEKm)	Bank	Group
Central bank balances	1 823	1 823
Bank balances	835	1 197
Bonds issued by Central bank or Government	5 493	5 493
Covered Bond	467	467
Securities issued by non-financial Institutions	3	3
Liquidity buffer	**8 621**	**8 983**
Funding (SEKm)		
Own Funds	2 547	3 829
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	10 769	10 722
Other Liabilities	1 441	1 775
Total Assets	14 757	16 326
Key Figures		
Own Funds and Bonds/Assets	17%	23%
Deposits from the Public/Assets	73%	66%
Liquidity Buffer/Assets	58%	55%
LCR	267%	327%

Remuneration Policy (Table EU REMA)

Carnegie Regulatory Compensation Disclosure

As of 31 December 2023, this Compensation Disclosure (the "Disclosure") sets out the principles relating to compensation within the Carnegie Group. The policies, practices and procedures outlined in the Disclosure apply globally to the Carnegie Group, its subsidiaries and branches (the "Group"), save where local mandatory law or regulation requires otherwise.

The Disclosure has been established in line with the Capital Requirements Directive, the Capital Requirements Regulation, and associated regulations and guidance.

Remuneration objectives and strategy

The Group is committed to responsible and effective remuneration practices that are aligned with shareholder interest and Group strategy, are motivating, competitive, and reflect current best practices in corporate governance, risk management and regulatory principles.

The Group's Remuneration Policy provides a group-wide framework for remuneration programs and remuneration processes. It is designed with a view towards balancing the following key objectives:

- Support Carnegie's values and culture
- Align with interests of shareholders, investors and other stakeholders
- Attract and retain talent needed to deliver Carnegie's strategy
- Discourage excessive or concentrated risk taking
- Be fair and transparent
- Reflect performance
- Be awarded in a robust process

Governance

It is the Board of Directors of Carnegie, (the "Group Board"), with the support of the Group's Remuneration Committee, that sets the Group-wide Remuneration Policy and oversees the development, implementation and effectiveness of the Group's remuneration practices. The responsibilities of the Remuneration Committee include review and approval of (or recommendation to the Group Board to approve) the Group's variable remuneration structure, the amount available for variable remuneration and on the allocation thereof to business segments, legal entities and branches, executive remuneration (incl. remuneration to heads of Group wide internal control functions) and the CRO's annual assessment of identification of risk takers ("ID-staff").

The Remuneration Committee held two meetings in 2023 to discuss and make determinations regarding remuneration. During 2023, there were no substantial revisions made to the Group's Remuneration Policy.

The members of the Remuneration Committee at the end of 2023 were Anders Johnsson (Chair) and Harald Mix. None of the members of the Remuneration Committee was an employee of the Group.

The Remuneration Committee is free to, where required, use an independent remuneration consultant that is appropriately qualified and that provides services solely to the Group Board and its Committees and not to the operating parts of the Group. For 2023, no external consultant was retained by the Committee.

Identified staff

ID-staff are employees who qualify as having a material impact on the Group's or any relevant Group entity's risk profile. This group of staff is identified in an annual, Group-wide process led by the Chief Risk Officer. The assessment is based on pre-defined qualitative and quantitative criteria that align with the applicable external regulation.

The group of ID-staff identified based on the qualitative criteria, includes members of the management body, senior management, heads of business units, officers carrying out managerial responsibilities in legal affairs, accounting and finance, prevention of money laundering and terrorist financing, HR and remuneration policy matters, IT and IT-security, and control functions as well as staff who are authorised to take credit and market risk, approve new products and manage critical outsourcing arrangements.

For staff identified solely under the quantitative criteria of a total compensation equal to or greater than EUR 500,000 (or the corresponding amount in the relevant currency) there is a process for making exemptions in cases where it is determined that the relevant staff member, despite meeting the quantitative criteria, does not exert material influence over the risk profile. All exceptions are approved by the Group Board.

Pay and performance

Annual remuneration for employees generally comprises fixed remuneration (including base salary) and variable remuneration. Remuneration is based on the employee's professional experience, role and level of organisational responsibility. It is aligned with corporate performance as well as individual performance and current terms generally offered on the relevant part of the labour market. The structure of remuneration is designed to achieve a sound balance between fixed remuneration, variable remuneration and other remuneration components, i.a. to ensure that an allocation or reduction of variable remuneration down to zero is possible. Pension benefits are offered in accordance with local law, regulation and market practice. Pension schemes are defined contribution pension schemes.

All employees may be considered for variable remuneration.

The variable remuneration programme is flexible to allow the Group to respond to changes in market conditions and to maintain its pay-for-performance approach. The Group's remuneration practices provide for variable remuneration determinations to be made on a discretionary basis in a pre-defined and robust process under the oversight of senior management and, ultimately, the Group Board.

Group-wide performance is a key factor in determining variable remuneration and the Group is committed to aligning variable remuneration with performance at all relevant levels. In order to do so, the performance of the Group, the relevant business segment, business unit, department and the individual over the past year, as well as over prior years, as applicable, are taken into account, as are business and market conditions. The principle that the size of variable remuneration for a certain year should not form basis for expectations of any future variable remuneration is communicated to employees across the Group.

Variable remuneration shall not exceed a ratio of 1:3 of fixed remuneration to variable remuneration for each relevant year. Where so required, any lower ratio set out in applicable mandatory law or regulation is applied, for example, for employees of the Swedish bank subsidiary who are qualified as ID-staff, a ratio of 1:1 applies as provided for by Swedish mandatory law.

To avoid misaligning compensation and performance, guaranteed variable remuneration may only be used in exceptional circumstances, for example, for new hires and only be granted in the first year of employment. The awarding of guaranteed variable compensation is subject to an approval process which includes receiving approval from the Chair of the Remuneration Committee. Severance payments are only made in line with mandatory law and generally applicable industry standards in relevant jurisdictions. Discretionary pension benefits are not allowed.

Performance measurement and risk adjustment

The Group's variable remuneration model is a profit-sharing model where a pre-defined portion of net profit is allocated to staff. Hence, the annual pool for variable pay is directly linked to the Group's institution-wide performance.

Performance measurement for each employee is subject to an annual process which considers, amongst other factors, Group-wide, business segment and individual performance. The process takes financial as well as non-financial performance criteria into account. For example, the individual performance evaluations include assessments of performance in line with the Group's values, for example by displaying team spirit and support colleagues as well as risk management and compliance behavior. All staff are required to certify compliance with the Group-wide internal regulatory framework on an annual basis. Where required, adjustments are made at individual level for any risk incidents or conduct breaches.

The criteria for variable remuneration for employees in control functions are designed to safeguard the integrity and independence of these employees and based on targets independent of the performance of the business units they oversee. Pay to the heads of control functions are decided by the board of directors of the relevant subsidiary. The Group Board decides on pay to each of the heads of the Group-wide control functions.

Risk, measured as cost of capital, is taken into account when calculating the Group's net profit, and - consequently - the incentive pool as a portion thereof. Further, the Group Board takes discretionary decisions when sizing and allocating incentive pools at any relevant corporate level to adjust for any other current of future risks, such as operational risk arising from risk incidents or conduct breaches. Risk adjustments can also be made by the Group Board where the Group's risk profile so warrants, e.g. within the areas of market risk, credit risk, liquidity risk, operational risk, compliance risk, sustainability risk, reputational risk, business risk and strategic risk.

Deferral practices and malus

Under the regulatory regime in Sweden applicable to an institution of Carnegie's size, the Group does not defer variable remuneration beyond the year in which it is granted. The remuneration policy provides that it lies within the discretion of the Group to claw back paid variable remuneration, where legally enforceable, in cases where payment is based on mis-stated results or the recipient's bad faith.

Template EU REM1 - Remuneration awarded for the financial year (SEKm)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1		Number of identified staff		24	25	100
2		Total fixed remuneration		15	107	238
3		Of which: cash-based		15	107	238
4		(Not applicable in the EU)				
EU-4a	Fixed remuneration	Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms			0	0
8		(Not applicable in the EU)				
9		Number of identified staff				
10		Total variable remuneration			34	50
11		Of which: cash-based			24	43
12		Of which: deferred			5	5
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a	Variable remuneration	Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments			0	0
EU-14y		Of which: deferred			0	0
15		Of which: other forms				
16		Of which: deferred				
17		Total remuneration (2 + 10)		15	141	288

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (SEKm)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Guaranteed variable remuneration awards				
2	Guaranteed variable remuneration awards - Number of identified staff				
3	Guaranteed variable remuneration awards -Total amount				
	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
4	Severance payments awarded in previous periods, that have been paid out during the financial year				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
6	Severance payments awarded during the financial year				
7	Severance payments awarded during the financial year - Number of identified staff				
8	Severance payments awarded during the financial year - Total amount				
9	Of which paid during the financial year				
10	Of which deferred				
11	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
	Of which highest payment that has been awarded to a single person				

Template EU REM3 - Remuneration awarded for the financial year (SEKm)

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU - g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU - h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function								
8	Cash-based								
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management	35	14	21				12	16
14	Cash-based	18	8	10				8	8
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments	6	3	3				0	0
18	Other forms								
19	Other identified staff	29	14	15				10	11
20	Cash-based	11	6	5				5	5
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments	8	4	4				0	0
24	Other forms								
25	**Total amount**	**64**	**28**	**35**				**22**	**27**

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	4